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FIASCO AT FIGGIE INTERNATIONAL

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Harry Figgie struck a tough but regal pose for the photographer from Fortune magazine. With a scowl on his leathery face, the chairman of Figgie International stood on the staircase at the company's headquarters, just high enough to tower over a bronze bust of Thomas Jefferson at the foot of the stairs. Figgie wore a dark suit and a conservative tie drawn so tightly that his collar seemed one size too small. His left hand was stuffed into his pocket, but his right hand clutched the polished wooden banister like an eagle's claw. His jaw was clenched, accentuating the lines that 65 years had etched into his rugged face. He stared at the camera and, when the shutter clicked, Harry was looking down at the photographer, a familiar pose according to those who knew him well.

To thousands of his employees at the Ohio conglomerate near Cleveland, Harry Figgie had earned his place in the February 1989 pages of Fortune for a piece on America's Toughest Bosses. Over the prior 2 1/2 decades, Figgie had knocked heads together to build the company that bore his name into one of the largest corporations in America. He wasn't as notorious as some others on the Top 10 list, such as Frank Lorenzo, the union-busting chairman of Texas Air, or Richard Mahoney, the demanding boss at Monsanto. But the luster of his colleagues didn't diminish Figgie. As a boss, he made George Steinbrenner look like Mr. Rogers. Critics dubbed his management style "hire 'em, tire 'em, and fire 'em," a reflection of his tendency to sack hardworking employees if they didn't meet his bottom-line expectations. He was mercurial, blunt, brutal, and sometimes profane. "You don't build a company like this with lace on your underwear," he once barked at a reporter. And he left little doubt that he could manhandle executives and machinists alike: ". . . I won't deny it," he said, "I know how to chew ass."

The company he ran wasn't a corporate icon like General Electric or some of the other outfits run by the men in the Fortune story. But that didn't mean Americans hadn't seen Figgie's products. Starting in 1963, Figgie had acquired dozens of small companies and had merged them into Figgie International, the Ichabod Crane of American corporations. By 1989, it included 36 divisions with dozens of unrelated products, although most weren't publicly associated with the name Figgie.

The company owned Rawlings Sporting Goods, the official supplier of Major League Baseball and America's largest source of sports equipment for professional, college, and high school teams; Scott Aviation, manufacturer of emergency oxygen masks that dropped from the ceiling of an airplane when cabin pressure plunged; Sherwood Drolet, the world's leading producer of hockey sticks and the official supplier for the National Hockey League; a material handling division that made high-speed baggage handling systems used in the world's airports; American LaFrance, the nation's oldest manufacturer of fire engines; a power system division that made hydraulic and pneumatic cylinders and gears; George J. Meyer Co., a major producer of automated filling and packaging systems used by the soft drink, beer, wine, pharmaceutical, food, and cosmetic industries; plus numerous other divisions that made everything from missile parts for the defense industry to scissor lifts for construction crews and firefighters.

In the year Harry Figgie's picture graced the pages of Fortune, Figgie International climbed to No. 286 on the Fortune 500, the magazine's infamous Who's Who of corporate America. Year-end revenues reached \$1.31 billion. The company generated nearly \$63 million in profits for its 10,887 shareholders and employed 17,000 people around the globe. Figgie recorded a stellar performance that year, and Harry Figgie knew it. But he also knew something that he didn't volunteer to Fortune's readers: The glow of the company's earnings and its lofty perch in the corporate hierarchy overshadowed some serious problems festering in the company's far-flung divisions.

Some of the problems were acute. Figgie had made a string of bad acquisitions in recent years, particularly in the division that housed Figgie's insurance business, which lost \$13.5 million between 1985 and 1988. But chronic problems plagued the manufacturing divisions, the core of Figgie International.

Harry Figgie excelled when he acquired a company and strengthened its bottom line by wringing excess costs from its operations. He built Figgie from scratch after working as a management consultant in Booz Allen's Cleveland office, where he specialized in profit improvement and cost reduction. Repressing costs was a religion to Figgie. Controlling expenses, he would say, gave the bottom line much more

adrenaline than efforts to increase revenues. Unfortunately, though, his tightfisted policies also applied to investment. He brutally scrutinized requests to spend money on things like new machinery and equipment, excoriating anyone who couldn't justify their plans with the hardest of numbers. So his managers often deferred investment to maintain their profits and stay on Harry's best side. The result: a company that generated short-term profits at the expense of long-term investment. Some Figgie divisions had relatively modern equipment, but many labored under outmoded business systems and aging equipment heavily reliant on high-priced labor.

By the time Figgie's picture appeared in *Fortune*, the days when manufacturers could ignore deficient plants had passed. Harry faced a dilemma: He knew he had to modernize his plants, but that required a huge investment--one that would hurt his bottom line at the very time the federal government had American capital markets in disarray with persistent federal budget deficits. Harry Figgie had talked for years about converting Figgie International into a world-class operation, a low-cost manufacturer that could capitalize on modern technology and equipment to slash its labor costs and compete on a global scale. Now was the time to act. But he didn't know exactly how to go about such a costly conversion, particularly on the scale that would be required of Figgie International. So he called upon his old profession, management consultants, to help Figgie International go "world class." And what he ended up with went beyond his wildest dreams.

Between 1989 and 1994, Figgie International would rack up more than \$75 million in fees to some of America's most prestigious management consulting firms. He would hire so many consultants that one unit would run out of spaces in the parking lot. Figgie hired the best: Boston Consulting Group, the blue-chip Massachusetts consultant that created the term "cash cow"; Deloitte & Touche, the huge Big Six accounting firm that had a rapidly growing consulting arm; Andersen Consulting, the nation's premier information technology consultant; Price Waterhouse; and a band of others. The consultants produced high-priced studies and impressive reports about "world-class manufacturing," one of those buzzwords that captured corporate imaginations. Instead of a world-class operation, though, Figgie would get a world-class mess.

A lifetime of hard work would unravel before his eyes as the company Figgie cherished became a tale of consultants run amok. Eventually, Figgie International would flirt with bankruptcy, its work force would plunge into chaos, and its balance sheet would drown in red ink.

Thousands of Figgie employees would lose their jobs in a wrenching downsizing that would leave the company nearly prostrate. And the consultants would cringe at

charges of incompetence, particularly Boston Consulting Group and Deloitte & Touche, two firms that faced the worst nightmare of all. Figgie filed suit against them, publicly airing charges of inept performance and poor advice. Figgie lawyers even accused Deloitte & Touche of padding already hefty bills with phantom hours and cash outlays for rendezvous in Dallas and New York stripper bars. Indeed, by the time the last consultant vacated the company's premises on a leafy estate just west of Cleveland, Figgie International's story would provide a rare glimpse into the inner workings of American consulting firms and become a case study of what happens when all of that high-priced advice just doesn't work.

The controversy involving Figgie and his company flared in public only recently. The lawsuits were filed in 1994 and were settled quietly out of court in 1995. But the litigation was only the latest chapter in the story of what actually happened at Figgie International. To truly understand how consultants helped wreck the company, it is necessary to go back many years, for the tale of Figgie International is hopelessly intertwined with the life and the ethos of the man who started it all, Harry Edward Figgie.

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Despite spending more than \$75 million for advice, Figgie International had barely escaped bankruptcy in 1994. Sales of \$1.3 billion in 1989 had plunged to \$319 million by 1994; profits of \$63 million had turned into losses of \$166 million. Instead of 17,000 employees, Figgie's work force had plummeted to just 6,000. It had sold seven divisions in 1994. Fifteen more divisions and more employees would go by the end of 1995, all to raise money to pay off its debt. The old cafeteria for employees was filled with artwork about to go on the block. The headquarters was for sale, too.

Figgie officials said they were not happy with the results at any price, even though they have already paid most of the bill. After paying BCG \$17.4 million in fees and expenses, Figgie refused to pay any more. It still owed BCG more than \$1 million in additional fees. Instead, it filed suit, alleging that BCG had provided flawed market studies and strategies. Figgie had paid Deloitte & Touche about \$22 million and still owed more than \$30 million.

Allegations of fraud and incompetence flew. No one was really happy with the consultants who were not named in the suits, either, but there was no other litigation. Eventually the suits involving the consultants were settled out of court, and the resolutions remained secret.

Boston Consulting Group said it had made no mistakes and that its work at Figgie was solid. Deloitte & Touche officials defended their consultants' work, too, and said the firm's strategy had fallen victim to a change in Figgie's management. "We were not found guilty of doing lousy consulting work," said John Fox, a partner in Deloitte & Touche's Chicago office. "We didn't have to pay any penalty, we just took a haircut on our fees." Harry Figgie retreated to his family and the family company.

Although the Figgies remain mum about their downfall, there are some lessons to be learned from their sad story. Beware of consultants marketing buzzwords like "world-class manufacturing." They are usually peddling vague concepts that can't be measured or judged. As a later chapter on Sears, Roebuck and Co. will demonstrate, it is best to hire consultants for a specific task and avoid carte blanche engagements like Figgie.

A consultant can't bail you out of trouble, either. Consulting firms are no substitute for vision and good management. Harry Figgie had moments as a good manager, and his misguided son at least had some vision. The consultants had neither. Check out the backgrounds of the consultants. All too often the big guns land the contract and then send in the guys with the peashooters. Watch the billings carefully. And always remember that the greatest attribute of the American management consulting industry is its ability to market itself. Deloitte & Touche was just doing what most others do every day: selling themselves. But Figgie's experience makes it pretty clear that consultants often tell you what they think you want to hear and not what you should see.

Perhaps the most important lesson is to listen to your own employees. More often than not, they know as much as or more than a bunch of people who make their money peddling change. Lastly, keep in mind that the consultants often have little to lose. If things work out, they claim credit. If not, they blame employees or changes in management or a host of other problems.